



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MONTGOMERY COUNTY SHERIFF**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable B. D. Wilson, Montgomery County Judge/Executive

Honorable Fred D. Shortridge, Montgomery County Sheriff

Members of the Montgomery County Fiscal Court

The enclosed report prepared by Stephens & Lawson, P.S.C., Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Montgomery County, Kentucky, as of December 31, 1999.

We engaged Stephens & Lawson, P.S.C., to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, P.S.C., evaluated the Montgomery County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MONTGOMERY COUNTY SHERIFF**

Calendar Year 1999

EXECUTIVE SUMMARY

MONTGOMERY COUNTY
FRED D. SHORTRIDGE, SHERIFF
CALENDAR YEAR 1999
FEE AUDIT

The Montgomery County Sheriff's fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). The audit revealed no reportable internal control or compliance issues. The Sheriff received operating revenue from various sources, including a federal grant of \$16,242 for salaries. The Sheriff also received a state advance of \$77,467 to fund the operations of his office when cash flows were low. The state advance was repaid when the Sheriff received his tax commissions. The Sheriff's office generated excess fees of \$69,790, which represents net income of the office after paying all operating expenses for the year. Excess fees were paid to the Montgomery County Fiscal Court.

CONTENTS

	PAGE
Independent Auditors' Report	1
Statement of Receipts, Disbursements, and Excess Fees	2
Notes to Financial Statement	5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statement Performed in Accordance With <u>Government Auditing Standards</u>	7
Appendix A - Prior Year Comments	8

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable , B. D. Willson, Montgomery County Judge/Executive
Honorable Fred D. Shortridge, Montgomery County Sheriff
Members of the Montgomery County Fiscal Court

Independent Auditors' Report

We have audited the accompanying statements of receipts, disbursements, and excess fees of the Sheriff of Montgomery County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for the County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and fees of the Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued a report dated August 24, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed-
August 24, 2000

MONTGOMERY COUNTY
FRED D. SHORTRIDGE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Grants		\$ 16,242
State Fees For Services-		
Finance and Administration Cabinet		15,780
KLEPF		21,662
Circuit Court Clerk -		
Fines and Fees Collected	\$ 18,039	
Sheriff Security Services	<u>16,942</u>	34,981
Fiscal Court		
Deputy Allotment	\$ 166,350	
Transporting Prisoners	<u>559</u>	166,909
County Clerk - Delinquent Taxes		3,097
Commission on Taxes Collected		249,358
Fees Collected For Services -		
Auto Inspections	\$ 12,430	
Accident and Police Reports	1,206	
Auto Travel	2,014	
Serving Papers	<u>13,795</u>	29,445
Other Charges-		
Carrying Concealed Deadly Weapon Permits	\$ 7,900	
Highway Patrol Project	11,954	
Miscellaneous	<u>3,004</u>	22,858
Interest Earned		1,551
Borrowed Money-		
State Advancement		<u>77,467</u>
Total Receipts (Carried Forward)		<u>\$ 639,350</u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY
 FRED D. SHORTRIDGE, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (CONTINUED)

Total Receipts (Brought Forward)		<u>\$ 639,350</u>
----------------------------------	--	-------------------

Disbursements

Operating Disbursements -

Personnel Services -

Deputies' Gross Salaries	\$ 225,241	
Employer's Share of Social Security	21,185	
Employer Paid Health Insurance	30,961	
Employer's Share of Retirement	24,931	
Unemployment Insurance	<u>2,490</u>	\$ 304,808

Supplies and Materials -

Office Materials and Supplies	\$ 4,950	
Equipment	30,352	
Uniforms	<u>10,629</u>	45,931

Auto Expense -

Gasoline	\$ 15,706	
Vehicle Lease	16,357	
Maintenance and Repairs	10,011	
Vehicle Purchase	<u>30,050</u>	72,124

Other Charges -

Carrying Concealed Deadly Weapon Permits	\$ 4,665	
Advertising	156	
Sheriff Tax Account-Refund	1,593	
Bond	274	
Dues	525	
Postage	74	
Prisoner Transport	2,570	
Telephone	908	
Training	<u>2,763</u>	13,528

Debt Service -

State Advancement		<u>\$ 77,467</u>
-------------------	--	------------------

Total Disbursements		<u>513,858</u>
---------------------	--	----------------

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY
FRED D. SHORTRIDGE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(CONTINUED)

Net Receipts	\$ 125,492
Less: Statutory Maximum	<u>55,702</u>
Excess Fees Due County for Calendar Year 1999	\$ 69,790
Payment to County Treasurer - April 18, 2000	<u>69,790</u>
Balance Due at Completion of Audit	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenue and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(CONTINUED)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of December 31, 1999, deposits were fully collateralized at a 100 % level with securities held by the County official's agent in the County official's name.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable B. D. Willson, Montgomery County Judge/Executive
Honorable Fred D. Shortridge, Montgomery County Sheriff
Members of the Montgomery County Fiscal Court

Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of the Financial
Statement Performed in Accordance With Government Auditing Standards

We have audited the Montgomery County Sheriff as of December 31, 1999, and issued our report thereon dated August 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Montgomery County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Montgomery County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
August 24, 2000

APPENDIX A
PRIOR YEAR COMMENTS

Bob Bellany, former Montgomery County Sheriff, has not paid 1998 excess fees of \$48,031 to the Montgomery County Fiscal Court. The Montgomery County Attorney is currently pursuing this matter.